

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2799-01
BILL NO.: HB 1173
SUBJECT: Treasurer, State: Tobacco Products
TYPE: Original
DATE: February 29, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$67,710,311 to \$135,420,621)	(\$81,223,899 to \$162,447,798)	(\$82,072,444 to \$164,044,888)
Missouri Tobacco Settlement Trust	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$67,710,311 to \$135,420,621)	(\$81,223,899 to \$162,447,798)	(\$82,072,444 to \$164,044,888)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$55,964,601	\$67,164,977	\$67,823,934

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Treasurer, Department of Mental Health, Department of Health, Department of Social Services**, and the **Office of the Governor** stated that their agencies would not be materially affected by the proposal.

Department of Elementary and Secondary Education officials stated that they would request School Finance Consultant to administer the grant program. Officials assume administrative costs for the grant program would total about eight percent (8%) and that the costs for the Consultant would be paid from the General Revenue Fund.

Estimates of amounts Missouri will receive from the Master Settlement Agreement are ranged from estimates made by the Office of Administration - Division of Budget and Planning to estimates published by the National Governors Association (NGA).

Budget and Planning's estimates assume upward inflation adjustments of three percent (3%) to each years annual payment and downward volume adjustments of 10% in 2000, 12.7% in 2001, 14.9% in 2002, and 16.6% in 2003. These volume adjustment assumptions are those recommended by Federal Funds Information for States and are based on estimates developed by Standard and Poors.

The NGA figures do not include any offsets, reductions or adjustments; therefore, Oversight has included a 3% per year inflation adjustment.

For purposes of simplifying the fiscal note, **Oversight** has used the estimates of the Office of Budget and Planning. Please see the attachment for complete schedules of ranges of estimates.

Oversight Division assumes that in the absence of this proposal the settlement proceeds would be credited to the General Revenue Fund. Oversight also notes that the state already spends General Revenue monies on public health. Depending upon appropriations, Trust Fund moneys could be used to supplement General Revenue spending or to replace it. Therefore, for fiscal note purposes the net effect of the proposal on the General Revenue Fund is shown as a cost of one-half of the amount of settlement monies to the full amount. Oversight also assumes that administrative costs for the school building grant program would be paid from the Tobacco Settlement Trust Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss</u> - Settlement Proceeds	(\$135,420,621)	(\$162,447,798)	(\$164,044,888)
<u>Savings</u> - Tobacco Settlement Funds replacing General Revenue spending	\$0 to \$67,710,311	\$0 to \$81,223,899	\$0 to \$82,022,444
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$67,710,311)</u>	<u>(\$81,223,899)</u>	<u>(\$82,022,444)</u>
	<u>TO</u>	<u>TO</u>	<u>TO</u>
	<u>\$135,420,621</u>	<u>\$162,447,798</u>	<u>\$164,044,888</u>

**MISSOURI TOBACCO
SETTLEMENT TRUST FUND**

<u>Income</u> - Settlement Proceeds	\$135,420,621	\$162,447,798	\$164,044,888
<u>Cost</u> - Health Programs	(\$67,710,311)	(\$81,223,899)	(\$82,022,444)
<u>Cost</u> - Department of Elementary and Secondary Education (DESE)			
Personal Services (1 FTE)	\$55,271	\$68,010	\$69,710
Fringe Benefits	\$16,996	\$20,913	\$21,436
Expense and Equipment	\$38,329	\$9,312	\$9,591
Personnel expenses for DESE	(\$110,596)	(\$98,235)	(\$100,737)
Administration of Grants	(\$5,416,825)	(\$6,497,912)	(\$6,561,780)
<u>Cost</u> - School Building Grants	(\$62,182,890)	(\$74,627,752)	(\$75,359,927)
ESTIMATED NET EFFECT ON MISSOURI TOBACCO SETTLEMENT TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
SCHOOL DISTRICTS			
<u>Income</u> - Building Grants	\$62,182,890	\$74,627,752	\$75,359,927
<u>Cost</u> - 10% Grant Matches	(\$6,218,289)	(\$7,462,775)	(\$7,535,993)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$55,964,601</u>	<u>\$67,164,977</u>	<u>\$67,823,934</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would establish a "Missouri Tobacco Settlement Trust Fund" in the state treasury. The State Treasurer would deposit all moneys received by Missouri under terms of the Master Settlement Agreement into the Fund.

One half of Fund proceeds would be used for general health programs and one half for a program of school building grants. School districts would provide a ten percent match to receive grants.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would not directly affect Total State Revenue.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Mental Health
Department of Health
Department of Social Services
Office of the Governor
State Treasurer



Jeanne Jarrett, CPA
Director
February 29, 2000

Year	OA - B&P	Governors Association	3% CPI Increase
1998	\$54,590,426	\$54,590,426	\$54,590,426
1999	\$0	\$0	\$0
2000	\$129,451,392	\$145,841,736	\$150,216,988
2001	\$135,420,621	\$157,485,647	\$167,076,523
2002	\$162,447,798	\$189,094,295	\$206,623,336
2003	\$164,044,888	\$190,883,868	\$214,820,705
2004	\$143,399,390	\$159,313,061	\$184,659,769
2005	\$144,834,156	\$159,313,061	\$190,203,864
2006	\$146,278,082	\$159,313,061	\$195,907,271
2007	\$147,740,792	\$159,313,061	\$201,785,923
2008	\$164,693,218	\$175,833,051	\$181,916,875
2009	\$166,353,707	\$175,833,051	\$236,266,871
2010	\$168,003,541	\$175,833,051	\$243,352,943
2011	\$169,675,393	\$175,833,051	\$250,667,598
2012	\$171,378,869	\$175,833,051	\$261,340,664
2013	\$173,100,158	\$175,833,051	\$265,929,906
2014	\$174,833,563	\$175,833,051	\$273,895,144
2015	\$176,602,091	\$175,833,051	\$282,124,130
2016	\$178,364,609	\$175,833,051	\$290,581,700
2017	\$180,168,255	\$175,833,051	\$299,303,019
2018	\$188,424,839	\$182,059,072	\$319,204,171
2019	\$190,339,585	\$182,059,072	\$328,780,478
2020	\$192,257,965	\$182,059,072	\$338,629,874
2021	\$194,207,025	\$182,059,072	\$348,788,770
2022	\$196,152,138	\$182,059,072	\$359,257,167
2023	\$198,156,125	\$182,059,072	\$370,035,064
2024	\$200,180,829	\$182,059,072	\$381,140,667
2025	\$202,222,663	\$182,059,072	\$392,573,977
Total			
I	\$4,513,322,118	\$4,589,951,302	\$6,989,673,821